

ORIGINAL NEW APPLICATION



ABRA WATER CO., INC.
P.O. Box 515
Paulden, Az 86334
928-636-2557

W-01782A-07-0063

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APPLICATION FOR HOOK-UP FEE
ABRA WATER CO., INC.

AZ CORP COMMISSION
DOCUMENT CONTROL

Abra Water Co., Inc. ("Abra" or the "Company") hereby applies for authority to implement a hook-up fee for new construction in its franchise.

Abra recently received financing approval for the construction of an arsenic removal plant as mandated by the federal government. Abra has contracted with McPhee Environmental for the installation of the new plant. During the approval process with the Arizona Corporation Commission, it was suggested by the Commissioners that the Company institute a new hook-up fee as a means of financing a portion of the debt incurred with the arsenic treatment plant construction. Abra agrees with this suggestion. Abra's water rates are currently based upon a 2001 test year.

To somewhat reduce the need for future rate relief, Abra is asking to implement a new hook-up fee. The proposed hook-up fee would be for new service connections as described in Exhibit "A". As of October 2006, there are a total of 576 service connections. Funds generated by the new hook-up fee will be treated as a contribution and will directly offset rate base. The contribution balance will help to mitigate the magnitude of the next required rate increase. The Company has an existing off-site hook-up fee of \$350.00 which has been in place since 1997 and semi-annual reports are filed with the Commission regarding this fee. (See attached Exhibit "A")

Prompt implementation of the arsenic hook-up fee is needed to service its proportion of the new debt to WIFA for the arsenic plant and any future arsenic expansion. The Company adds approximately 3-4 services per month and build-out for its current service area is not expected for 20 years.

Arizona Corporation Commission

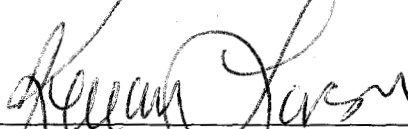
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RELIEF REQUESTED. Abra Water Co., Inc. asks for authority to implement a hook-up fee for new construction in its service area. To generate as large a contribution balance as possible, the Company asks for expedited consideration of this request.

RESPECTFULLY SUBMITTED on this 16th day of Jan, 2007.

A handwritten signature in cursive script, appearing to read "Kevan Larson", is written over a horizontal line.

Kevan Larson-President

Abra Water Co., Inc.

P.O. Box 515

Paulden, Az 86334

(928)713-2788

kevanlarson@cableone.net

Exhibit "A"

I. Purpose and Applicability

The purpose of the Arsenic Impact Fee Tariff, payable **Abra Water Company, Inc.** ("the Company") pursuant to this tariff, is to equitably apportion the costs of constructing water treatment plant facilities to treat and remove arsenic. These charges are applicable to all new service connections established on or after the effective date of the tariff. The charges are one-time charges and are payable as a condition to the Company's establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with the Company for the installation of water facilities to serve new service connections.

"Arsenic Treatment Facilities" means treatment equipment and related appurtenances necessary for the removal of arsenic through treatment of water to meet the 10 parts per billion ("ppb") arsenic standards.

"Company" means **Abra Water Company Inc.**, an Arizona corporation.

"Main Extension Agreement" means any agreement whereby an applicant agrees to advance the costs of the installation of water facilities to the Company to serve new service connections, or install water facilities to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Commission's Utilities Division (same as line extension agreements).

"Service Connection" means and includes all service connections for residential, commercial, industrial, or other uses, regardless of meter size.

III. Arsenic Impact Hook-Up Fee Tariff Charges

Each new service connection shall pay the Arsenic Impact Hook-Up Fee Tariff derived from the following table:

ARSENIC IMPACT HOOK-UP FEE TARIFF TABLE		
Meter Size	Meter Factor	Fee
5/8" X 3/4"	1	\$475
3/4"	1.2	\$570
1"	2	\$950
1 1/2"	4	\$1,900
2"	6.4	\$3,040
3"	12	\$5,700
4"	20	\$9,500
6"	40	\$19,000

IV. Terms and Conditions

- (A) Assessment of One-Time Arsenic Impact Hook-Up Fee: The Arsenic Impact Hook-Up Fee may be assessed only once per service connection (similar to service line and meter installation charges), or lot within a platted subdivision (similar to OFF-SITE FACILITIES HOOK-UP FEES). This provision does not exempt from the tariff, any newly created parcel(s) which are the result of further subdivision of a lot or land parcel and which do not have a service connection.
- (B) Use of Arsenic Impact Hook-Up Fee Funds: All funds collected by the Company pursuant to the Arsenic Impact Fee Tariff shall be deposited with a financial institution in a separate account. The Company shall maintain a subsidiary ledger to account for all collections and uses of the fees. The Company shall use of the collections solely for the purposes of paying for the costs of common use plant (including engineering and design costs for such facilities) and repayment of loan(s) obtained for the installation of arsenic treatment facilities. The Company shall manage the collection for income tax efficiency. That is, funds shall first be use to pay for the costs of common use plant. Then, to the extent collections may become taxable if not used to pay for common use plant; the funds may be used for repayment of loan(s) obtained for arsenic remediation. Funds collected by the Arsenic Impact Hook-Up Fee Tariff shall not be used for expenses, maintenance, or operational purposes.

(C) Time of Payment:

- i. In the event that the Applicant is required to enter into a main extension agreement, whereby the Applicant agrees to advance the costs of installing mains, valves, fittings, hydrants, and other on-site improvements in order to extend service in accordance with R-14-2-406(B), payment of the charges required hereunder, as to service connections to be served through such facilities and improvements, shall be made by the Applicant within fifteen (15) calendar days after receipt of notification from the Company that the Utilities Division of the Commission has approved the main extension agreement in accordance with R-14-2-406(M).
- ii. In the event the Applicant is not required to enter into a main extension agreement, the charges hereunder shall be due and payable at the time the service line and meter installation charge is due and payable.

(D) Failure to Pay Charges, Delinquent Payments: Under no circumstances will the Company set a meter or otherwise allow service to be established if the Applicant has not paid in full all charges as provided by this tariff.

(E) Arsenic Impact Hook-Up Fee Tariff Non-Refundable: The amounts collected by the Company pursuant to the tariff shall be non-refundable advances in aid of construction.

(F) Arsenic Impact Hook-Up Fee in Addition to Other Charges: The Arsenic Impact Hook-Up Fee shall be in addition to any costs associated with a main extension agreement otherwise required for on-site facilities, and is in addition to the amounts to be advanced pursuant to charges authorized under other sections of this tariff.

(G) Disposition of Excess Funds: After all necessary funds are collected to pay for all Arizona Department of Environmental Quality required arsenic treatment facilities or the tariff has been terminated by order of the Commission, any funds not necessary to pay for arsenic treatment facilities remaining shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(H) Distinguished from Existing Off-Site Facilities Hook-Up Fees: The Arsenic Impact Hook-Up Fee which is subject of this tariff is separate and to be distinguished from the Existing Off-Site Facilities Hook-Up Fees which was authorized as part of the Company's charges for water service.

- (I) Status Reporting Requirement to the Commission: The Company shall file with Docket Control by January 31st of each year, an annual calendar year status report, until the Arsenic Impact Hook-Up Fee Tariff is no longer in effect. This status report shall contain a list of all customers that have paid the Arsenic Impact Hook-Up Fee Tariff, the amount of money spent from the account, and a list of the facilities that have been installed with funds from the Arsenic Impact Hook-Up Fee Tariff for arsenic during the 12-month period.

ABRA Water Company, Inc. - Arsenic Removal Site

Est New Customers
Projected Customers On Line

48	48	52	54	56	58
596	644	696	750	806	864

ABRA Water
Utility Plant In Service
Accum Dep

2005
\$ 979,776
(362,482)
\$ 617,294

Est Cost of New Arsenic Plant
Accum Dep
(20 Year SL)

2006	2007	2008	2009	2010	2011
\$ 1,064,776	\$ 1,149,776	\$ 1,209,776	\$ 1,269,776	\$ 1,329,776	\$ 1,389,776
(394,425)	(428,918)	(465,211)	(503,304)	(543,197)	(584,890)
\$ 670,351	\$ 720,858	\$ 744,565	\$ 766,472	\$ 786,579	\$ 804,886

Less: CIAC (net)

Net Plant

(130,188)	(139,839)	(149,490)	(159,141)	(168,792)	(178,443)
540,163	880,269	878,575	875,081	869,787	862,693

Estimated ROR
Net Income

6.50%

Tariff Rate Revenue
Requested for New Plant Hook Up

Total Net Income

22,800	24,700	25,650	26,600	27,550
35,111	80,018	81,807	82,530	83,136
				83,625

Additional Debt Service Costs
Do to New Plant
Interest Expense
Additional Depr
Net Income After New Plant

15,536	15,055	14,549	14,017	13,458
15,750	15,750	15,750	15,750	15,750
\$ 35,111	\$ 48,732	\$ 51,002	\$ 52,231	\$ 53,369
				\$ 54,417

Changes in Cash Flow related to
New Plant
Debt Service Principal
Other Debt Service
Add Back Est Depreciation
Increase/(Decrease) in Cash

	(9,410)	(9,892)	(10,398)	(10,930)	(11,489)
	(6,412)	(6,687)	(6,973)	(7,271)	(7,583)
31,943	50,243	52,043	53,843	55,643	57,443
\$ 67,054	\$ 83,153	\$ 86,466	\$ 88,703	\$ 90,811	\$ 92,788